Date: 9 October 2015

Planning for Healthcare Costs in Retirement

The Star Online – Business News (4 October 2015)

By: Ismitz Matthew De Alwis

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Lee's story is a typical case of any retiree. According to doctors, even though a person can be healthy, ailments can happen unexpectedly due to old age. Yet, none of us are likely to include major hospitalization bills or expensive medical treatments in our blissful retirement vision. But an unexpected turn of events such as terminal illness or accidents can easily wipe away all your life savings.

There is no question that healthcare expense is a big concern for retirees. In fact, many studies suggest it is the biggest concern that retirees have. Instead of planning ahead, many find ways to limit their spending during retirement years as a way to mitigate the worst of health circumstances.

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Health problems do not discriminate between age and gender. Those who have been known to lead the healthiest of lifestyle could also fall prey to unexpected, life-threatening diseases.

For those who are planning for retirement, healthcare is a huge expenditure to plan for on top of normal living expenses. Unlike travel, hobbies or entertainment expenses in retirement, medical expenses are non-discretionary. If you are sick or injured you need treatment. Having adequate reserves and a good medical coverage can be the difference between a comfortable retirement and one filled with financial challenges.

It is critical that you take a hard look at what your medical expenses might be and factor these costs into your retirement spending estimation as well.

The key product solution for healthcare protection is medical insurance. While people are generally encouraged to start protecting their health at an early age, it is never too late to start tending to your well-being.

But don't wait till you are sick as medical insurance is only available to those who are in good health because insurance company is required to underwrite one's risk. Also, the older you get, the more insurance is likely to cost.

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As retirement planning needs to be personalised, so is planning for your healthcare cost in retirement as different people will have different health risk factors. As such, it pays to look into your family health history to determine your health risks in order to prepare more adequately towards it.

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Below is a list of diseases that commonly inflict senior citizens at retirement and provides a rough cost estimate for treatments today.

When you are planning for your healthcare expenditure in 20 years to come, the amounts in the table serve as a guide.

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Long-term care facilities can range from RM1,000 a month with basic care services in semi-private room to RM5,000 a month, in a private room with skilled nurses and in-house doctors providing professional and specialised healthcare for rehabilitation or palliative care. In the United States, four out of every ten people who reach the age of 65 will enter a nursing home at some point in their lives.

About 10% of the people who enter a nursing home will stay there five years or more. In Malaysia, we need to account at least a year stay in a nursing home and it is wise to factor in a 10% a year medical inflation if you are planning ahead for the future.

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For long-term nursing care, because it is highly unlikely covered by your medical insurance, you would have to actively set aside an amount to be invested to grow this fund.

To hedge against medical inflation, try aiming for an investment that can provide a return of at least 10% a year but without compromising on ‘safety’ of your investment. A vehicle that you can consider is unit trust funds that are invested in a portfolio of equity counters.

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There is no denying that healthcare costs are a major concern and even bigger expense for most retirees. But a financially successful retirement plan that includes a combination of proper health insurance coverage to provide the necessary medical attention when one gets sick and additional provision for long-term care will definitely set you on a correct path to a solid retirement plan.

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Article Source: ***The Star Online Business News***
http://www.thestar.com.my/Business/Business-News/2015/10/04/Planning-for-healthcare-costs-in-retirement/?style=biz

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Sunday, 4 October 2015
By: ISMITZ MATTHEW DE ALWIS

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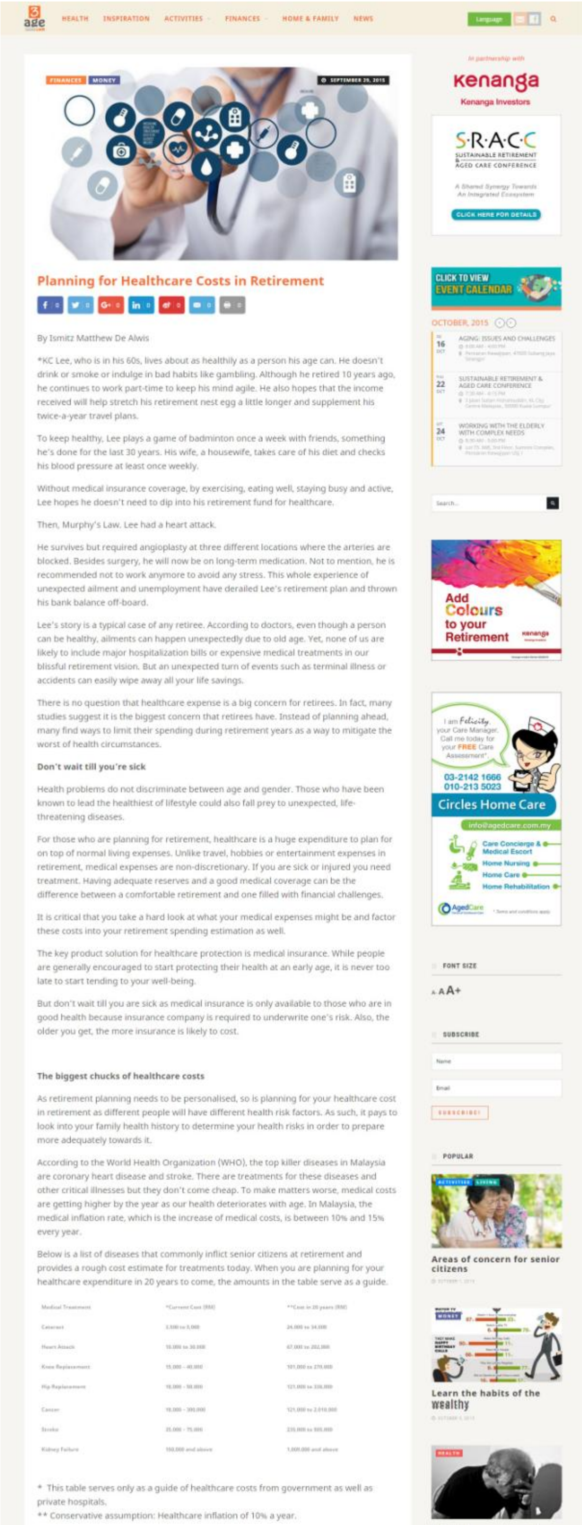
Also featured in ***3Age Portal*** http://3age.com.my/2015/09/29/planning-for-healthcare-costs-in-retirement/



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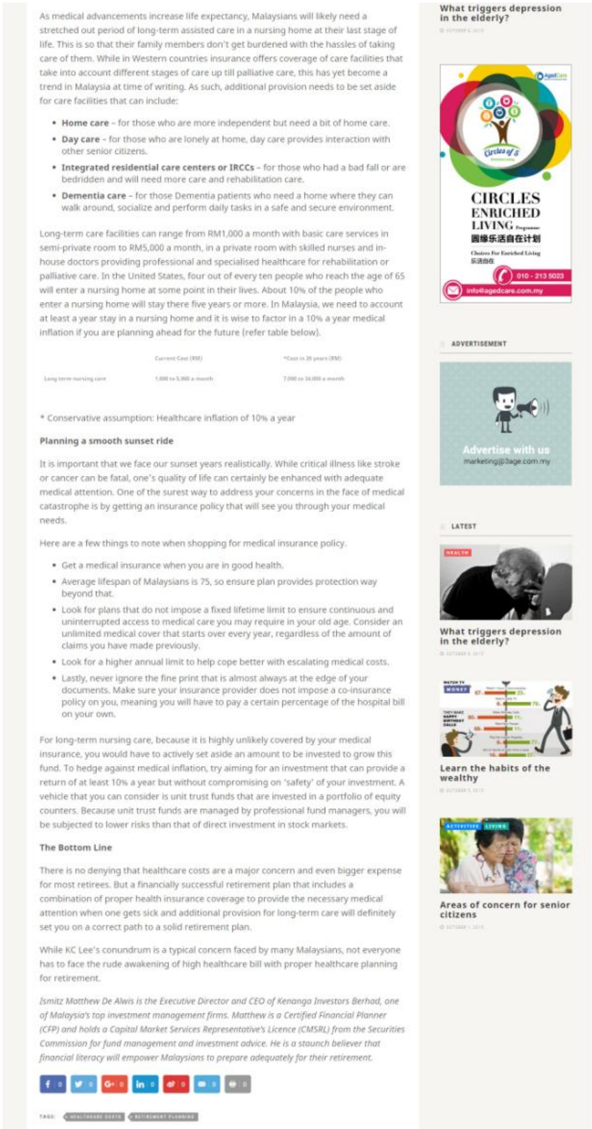

As medical advancements increase life expectancy, Malaysians will likely need a stretched out period of long-term assisted care in a nursing home at their last stage of life. This is so that their family members don't get burdened with the hassles of taking care of them. While in Western countries insurance offers coverage of care facilities that take into account different stages of care up till palliative care, this has yet become a trend in Malaysia at time of writing. As such, additional provision needs to be set aside for care facilities that can include:

- **Home care** – for those who are more independent but need a bit of home care.
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Long-term nursing care	1,000 to 5,000 a month	7,000 to 34,000 a month

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